



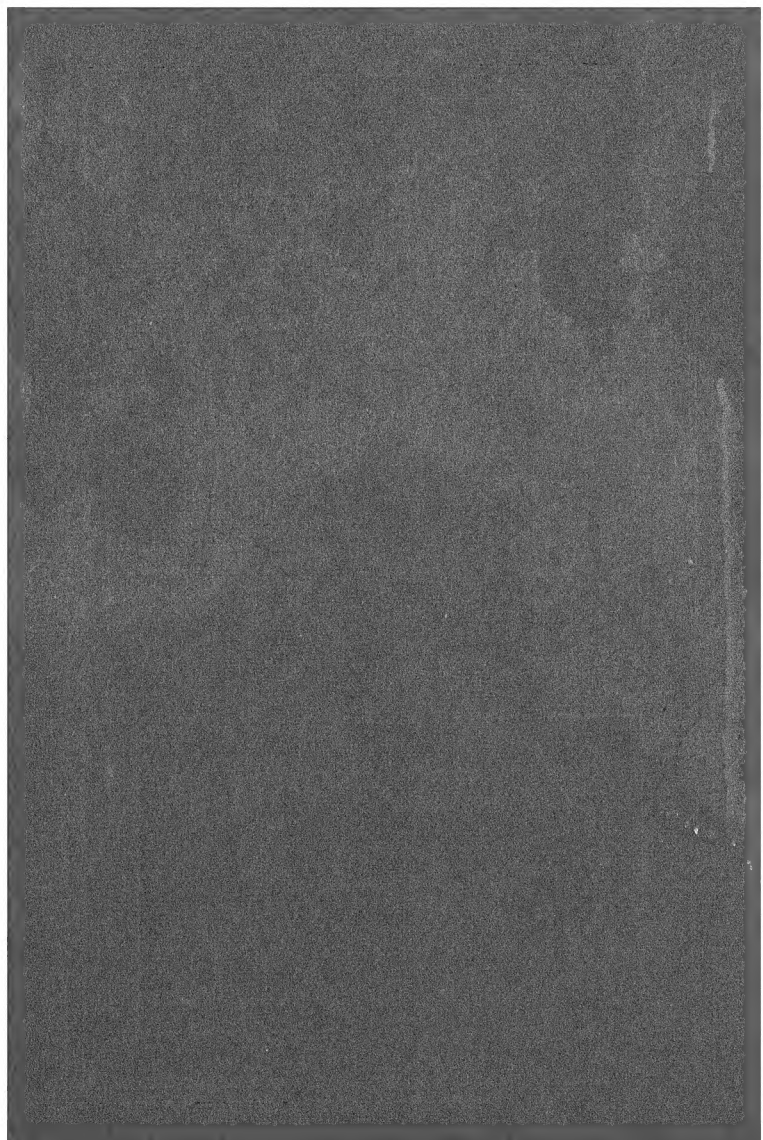
Annual Report

:- 1911 :-

The Grain Growers' Grain Co.

Limited :: :: Winnipeg, Manitoba





Annual Report of
The Grain Growers'
Grain Company Ltd.

For the Year Ending 30th of
June, 1911, Winnipeg, Canada



COMPARATIVE STATEMENT

Opened Business		June 30, 06	June 30, 07	June 30, 08	June 30, 09	June 30, 10	June 30, 11
Sept. 1, 06							
Shares Allotted . . .	1,000	1,853	2,932	7,558	14,131	24,602	
Capital Subscribed . .	\$25,000	\$46,325	\$73,300	\$188,950	\$353,275	\$615,050	
Capital Paid up . .	\$ 5,000	\$11,795	\$20,385	\$120,708	\$292,957	\$492,062	
Grain Receipts (Bus.)		2,340,000	4,990,541	7,643,146	16,332,645	18,845,305	
Profits		\$790	\$30,190	\$52,902	\$95,663	\$69,575.46	

TOTAL FARMERS' GRAIN HANDLED SINCE SEPT. 1, 1906 . . . 50,151,637 BUSHELS

THE GRAIN GROWERS' GRAIN CO. LTD.

HEAD OFFICE

WINNIPEG - MANITOBA

CAPITAL AUTHORIZED	-	-	-	\$2,000,000.00
CAPITAL SUBSCRIBED	-	-	-	615,050.00
CAPITAL PAID UP, June 30th, 1911	-			492,062.35

BOARD OF DIRECTORS, 1911-1912

PRESIDENT

T. A. CRERAR	-	-	-	-	RUSSELL, MAN.
JOHN KENNEDY	-	-	-		SWAN RIVER, MAN.
R. MCKENZIE	-	-	-	-	WINNIPEG, MAN.
E. A. PARTRIDGE	-	-	-	-	SINTALUTA, SASK.
GEO. LANGLEY, M.L.A.	-	-	-	-	MAYMONT, SASK.
JNO. SPENCER	-	-	-	-	WINNIPEG, MAN.
N. E. BAUMUNK	-	-	-	-	DUNDURN, SASK.
DAVID RAILTON	-	-	-	-	SINTALUTA, SASK.
E. J. FREAM	-	-	-	-	CALGARY, ALTA.



To Our Shareholders

August 4th, 1911.

Gentlemen,

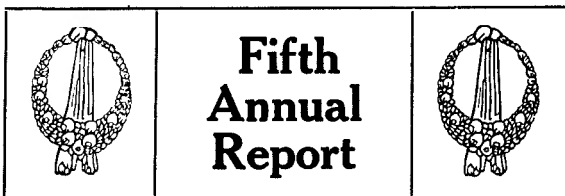
We take pleasure in presenting to you the Fifth Annual Report, of the business of the Company for the year ending June 30th, 1911. In it you will find the President's Address; the Auditors' Report; and the criticism of the Shareholders' Auditor upon the same. We would ask you to give it your close attention. The success of the Company depends upon the intelligent interest of its Shareholders.

We suggest to you, that you preserve the Annual Reports of the Company. As years pass, you will in this way have a continuous record of its progress.

Yours truly,

BOARD OF CONTROL.





President's Annual Address

IN REVIEWING the business of the past year, I shall do so as briefly as possible, touching only upon the points which I consider are of most importance. It affords the Directors much pleasure to see so many of our shareholders present here this morning. It indicates an interest in the business which I trust will always be maintained.

CONDITIONS DURING PAST YEAR

At our Annual Meeting a year ago the prospects for the growing crops over practically all Western Canada were very poor, caused by the dry weather prevailing previous to that time. Rains, widely distributed over the Prairie Provinces during the latter half of July, a year ago, improved matters very greatly. Even then many thought there would only be half a crop. Out of last year's crop, however, up to June 30, last, 105,067,000 bushels were reported as having been inspected, as against 121,828,970 bushels in the corresponding period of the previous year. Thus, roughly speaking, the return from last year's crop in yield was about 20 per cent. less than the year preceding it.

During the past year the strong hostility to the Company on the part, particularly of the strong elevator companies, was very clearly shown, and as in previous years, every effort was made to prevent grain coming to the Company. I have before frequently pointed out that the possession of the country elevators gives the elevator companies a very strong lever in working against us. It is common knowledge that in order to get the handling of a farmer's grain, country elevator operators,

acting no doubt under instructions from their superiors, will offer every inducement possible. I might instance as chief of these the loading of grain through their elevators into cars free of charge, and the holding of it—often for considerable periods—free of storage. There is here a direct monetary advantage which the farmer sees, and which he frequently accepts, often with the excuse that the Company will get enough grain without his, and that he needs the immediate advantage that he thinks he is getting. He wants the Company to remain in business, but he leaves it to others to maintain it by sending their grain to it while he reaps any benefit he can get from the elevator companies through increased prices or better terms of storage, and frequently blames the Company because they cannot do as well. This can be overcome only by persistent education. All will agree that such generosity upon the part of the elevator companies was never known of before the Company commenced to do business.

Southern Alberta, which grows the chief amount of grain produced in that province, suffered severely from the drouth of last year. Whole districts from which we received support the year previous had nothing to ship last year. In face of this, it is not surprising that our Calgary office showed a considerable loss last year. We are, nevertheless, fully confident for the future at this point, and have promise of a good year's business in the year just entered.

BUYING THROUGH ELEVATORS

As you will recall in the year previous to the last, we did business with a number of farmers' elevators. While this business has never been very profitable, it nevertheless, we believe, aided in the developing and strengthening of the organized farmers' movement, which, if permanent success is to come, must be co-ordinated and cemented, rather than allowed to proceed on different lines. This business was continued during the past year, and owing to the partial crop failure, improvement over the previous year's business was quite impossible. In addition, last fall we entered into an arrangement with the Manitoba Government Elevator Commission to buy grain through quite a number of their elevators. This,

owing to the partial crop failure, and the exceeding keen competition of competing elevators, was unprofitable. The elevator companies naturally do not want to see us get grain at any point. Through the possession of their terminal elevators—to which I will refer later—they can handle grain in their country houses apparently at a loss, and taunt farmers at these points with the charge that the Farmers' Company will not do as well for them as the elevator companies can do. It appears to be a favorite game of our competitors, through the superior opportunities they have to offer to do better for shippers than we apparently can do, and endeavor in this way to leave the impression that "their Grain Growers' Grain Company is no good."

As you are perhaps aware, a bill is now before the Dominion Parliament, dealing with terminal elevators. I refer to this matter because of the advantage the ownership of the terminal elevators gives our competitors in business. It is quite possible for them to conduct their business at country points through their country elevators at a loss and still recoup themselves very handsomely from the profits at the terminal elevators. This they can do without in any way resorting to making profits by improper practices, such as mixing of grades and so forth. The charges for storage at the terminal elevators are very high. A company operating country elevators and owning a terminal elevator—as they nearly all do—can buy a farmer's car in the country, apparently without profit, by giving him free storage on it, or by permitting it to pass through their elevators free of cost, and ship it down to their terminal elevators for storage. The spread in price between the cash month in which they buy grain and, say, the May price, is usually from a cent to a cent and a quarter per month between the time they buy and May. For instance, they buy a car of 1 Northern wheat in December, say, for eighty cents. They can sell it at once for, say, eighty-five cents for May delivery. The car thus purchased is sent down to the terminal elevator and stored there till spring. The rate of insurance is very low; the only charge they have against the five cents spread at which they sell is the interest and insurance charge, which is low enough to give them a handsome profit on their turnover. This enables them, as I have already said, to at times offer prices or inducements at

country points for car lots, that apparently is difficult to understand; or at points where we are buying street grain, to offer prices that we cannot pay unless we buy at a loss. If some way is not effected whereby the elevators will be taken out of their hands at the terminals, it seems absolutely necessary for the Company to secure its own terminal elevator as soon as possible, and thus be in a position to meet our opponents on equal grounds.

During the year considerable business has been done by our Winnipeg office in seed and feed. We handled a great many cars of seed oats and brought in several cars of seed flax from Ontario, which we sold from twenty-five to forty cents a bushel less than regular seed companies were selling at. Even then we were unable to fill all the orders that reached us for this grain. The matter of gathering and distributing good seed is one which I think could profitably be taken up, not only for the financial benefits that might come to the Company, but also in the way of doing a genuine public service. To do this, however, it is necessary to have some sort of an elevator—preferably at Winnipeg—to commence with—with the most modern cleaning machinery. This, I think, is a matter that should engage the attention of the Directors at an early date. A considerable amount of feed oats was also sold to those who had been unfortunate through the failure of their crops.

During the year a much larger amount of export business was done by the Company than during any previous year. In previous years this business was profitable to the Company. Last year, owing to keenness of competition and other causes, it was not profitable; that is, in the way of direct financial gain to the Company. Our active entry into the export field brought us in contact not only with grain exporters in Winnipeg, but also with exporters in Eastern Canada and the Eastern United States, whose business we are cutting into.

I think it proper here to refer to another matter at some little length, upon which I think the shareholders are entitled to the fullest information. I refer to charges made last winter by certain individuals and certain newspapers that the Company was speculating heavily in oats, the hint being freely thrown out that the officers of the Company were doing this to enrich themselves, and by so doing were jeopardizing the interests of the

Company, and that the shareholders were likely to lose every dollar they had put into it. It was stated freely that the Company was bound to fail, and every effort possible was made, not only by the elevator companies in the Grain Trade, but by many country bank managers as well, to inject the suspicion in many farmers' minds that if they were not careful they would lose even the grain they had consigned to the Company.

THE OAT SITUATION

The following are the facts in connection with the matter:

Some little time after the New Year opened, a strong export demand arose for our Canadian Western oats. There was every indication that a great many of them would be wanted, not only in Great Britain, but in other European countries, owing largely to a smaller crop of this grain in Europe than for several years previous. The indications all were that a large export business would be done in this grain. On the 26th of January the reciprocity agreement reached between the Canadian and the United States governments was announced, and immediately following this announcement it was apparent that an effort was being made by certain grain interests to depress the price of grain with a view of creating the impression that the mere mention of reciprocity affected business in the way of lowering prices. Feeling that a special effort was being made to lower prices, and realizing at the same time that the export demand for our oats had never been better, our Manager, without the knowledge of the Board of Control, and in their absence, decided to buy May oats freely with a view of selling them for export later on, and thus endeavor to keep prices at the level which, in his judgment, should be maintained. While the motive was the very best, the course was one which should not have been entered into. When it became known in grain circles—as it could not help becoming known—every effort was made by the grain interests opposed to us to load the Company down with as much May oats as possible in the expectation that financially we should reach a point where we could not carry them. This would mean that they would be sold by the clearing house, breaking the market thereby,

in all likelihood, several cents a bushel; and these oats at this lower price would be bought back by those who had sold them to us, after, as they believed, they had accomplished our ruin. This was the position the Company found itself in.

COMPANY HAD TO FIGHT

There was only one thing to do, and that was to fight it out, and the ability of the Company to fight was once more demonstrated. We sold them for export as rapidly as we could. It was freely reported that the Company had bought anywhere from five to eight million bushels more than it had sold. This was a gross misrepresentation. The largest amount that the Company had at any one time more than its sales made was a little over a million bushels. Later on, when the grain interests learned that we were selling these oats for export very rapidly through the splendid connection we had established in the Old Country, and that we were likely to get out of it with very little, if any, loss, they immediately set about on the most despicable attempt that has ever been made by any commercial interests—namely, to undermine our credit, and if possible prevent us in this way from paying for the large quantity of oats we would have to take delivery of on the first day of May for completing export sales made to the Old Country throughout the winter, to be filled on the opening of navigation in the spring. To this end we believe a certain Winnipeg journal was influenced to print several articles against the Company, and, we are told, that several thousands of copies of this paper were sent broadcast all over the land. The rapid increase, however, in our paid-up capital was a factor not reckoned with. We were also able to arrange for money outside of Winnipeg.

ENEMIES ROUTED

The result was that on the first day of May we had delivered to us over 2,200,000 bushels of oats, every bushel of which was paid for on that date, and within a few weeks half of them were on vessels on the way to the Old Country to fill part of the sales we had made; and it might be interesting to add that within a few days

some of the companies who had sold the oats to us were trying to buy them back from us again. It is only fair to say that there were several grain men in the city who, while they recognize us as keen competitors, nevertheless believe in fair play, and who personally expressed their indignation at what they termed the "despicable tactics" used against us. The Board of Control thought it unwise to attempt to refute the slanderous statements made about the Company at this time, particularly in view of the effort being made to damage our credit. There is no doubt whatever of the fact, which is freely admitted by those competent to know, that the price of oats was kept for several months several cents a bushel higher than it otherwise would have been, and at no time was this price inflated even a fraction of a cent in value. It is freely admitted now that there was no attempt—as was frequently charged at the time—on the part of the Company to corner oats. At the same time, I am quite free to say that the transaction was one which is utterly opposed to the intention of the Company, and was one which should not have occurred, no matter what might have resulted in the way of lower prices. While the motive of our manager in doing this was good, his judgment, usually sound, was, in this instance, at fault. I need not add that steps have been taken which will make a repetition of it impossible. The whole episode has revealed the very bitter feeling that still exists against the Company, not only among grain interests, but also among certain financial concerns who see that the development of the co-operative spirit among a great body of farmers is bound to react against their own selfish interests.

We have also been unfortunate in the past few months in the export part of our business through causes over which we had no control. The congestion of the grain elevators at Montreal during the latter half of May and June, with the difficulties arising out of the threatened seamen's strike delayed not only lake boats, but also ocean vessels, with the result that our grain has not moved nearly so freely from Fort William east as it should have done. This means, of course, increased storage and interest charges at Fort William, that have not only taken away entirely what would otherwise have been a fair profit but have also meant on several shipments

a loss. Summing up, the Company has made very little, if anything, out of its export business in the past year, that is, in the way of direct profits. At the same time our engaging in it has undoubtedly kept the Fort William price of grain considerably higher on an average than it otherwise would have been, and the profit is indirectly received by every farmer in the West who has had grain to sell, whether he shipped it to The Grain Growers' Grain Company or not. I feel quite certain that with the experience we have gained we can, in the future, conduct this business only when it is profitable to do so.

Our daily cables keep us in touch with Old Country values and enable us, as already stated, to keep the export values of grain, which, after all, form the final basis of value, up to the point where they should stay.

THE NEW CHARTER

As you will have noticed in the newspapers, we were successful in getting our Dominion Charter through by special Act of Parliament, which the Directors received authority from the shareholders at the last Annual Meeting to proceed with. Considerable opposition developed to the broad powers we were asking under it. It was changed in some features, but still gives us a good working Charter, and it will be part of the business of this meeting after the routine business is disposed of to take, if thought advisable, the necessary steps to make the transfer in a legal manner from the present Company to one under the new Charter. I will say nothing about this now, but will discuss it when the matter comes up in our meeting. It may be interesting to know that a great deal of opposition to it at Ottawa came from those who were regarded as representatives of the Manufacturers' Association and the Retail Merchants' Association, another evidence of the hostility to the development of the co-operative idea.

CLAIMS AND SAMPLING

These two departments have been carried on in the past year. A large number of claims have been attended

to, of which Mr. Bewell will give particulars. The sampling of cars on arrival in Winnipeg has also been done wherever possible, and it is of considerable value. We have frequently had several cars in a day raised in grade through the agency of our own inspector, who checks the work of the Government officials.

PROGRESS OF COMPANY

A few words of comparison with the business of previous years will be of interest. At the end of our first year, June 30th, 1907, the number of shares sold was 1,853. The following year this increased to 2,952. At June 30th, 1909, the number had gone up to 7,558. The following year, to June 30th, 1910, it increased to 14,131. In the year just ended the number of shares sold has increased over 10,000, being at the year closed on the 30th of June—24,602, giving a subscribed capital of \$615,050.00, of which \$492,062.00 is paid up. This, it is interesting to note, is held by 11,765 shareholders. If our present shareholders took the full limit of shares they are at present entitled to, our paid-up capital would be over \$1,000,000. Under our new charter, when we make the transfer, the shareholders can increase the amount of stock an individual can hold to \$1,000, but no more. If our present shareholders each took one quarter that amount of stock—which is possible—it would put our capital at over two million and a half dollars.

In the first year of its business the company handled two and a half million bushels of grain; second year, almost five million; third year, seven and a half million; a year ago almost sixteen and one-half million, and the year just closed, with a smaller crop than the previous year, over eighteen and a half million bushels, or a total of over fifty million bushels since the company commenced business.

In the first year our profit was \$790; second year, \$30,190; third year, \$53,000; fourth year, \$95,663, and for the present year, \$69,575.46. This is considerably lower than last year, and is due to the fact that we have directly made nothing upon our export business in

the past year, the benefit of which has come generally through the higher level of prices maintained as a result of it, and also to the fact that our expenses through various causes have been abnormally high.

STATEMENT FOR YEAR

An examination of the profit and loss account and the balance sheet for the year, is interesting. I will not now go into it in detail. As in the past, Mr. Bewell—your auditor—will comment upon it. The outstanding feature of the profit and loss account is the increase in expenses during the year, these totalling \$147,396.47 as against \$126,269.95 for the previous year. The chief increases are in office salaries and in bank interest, though other items, notably telegraphing and telephoning, show heavy increases too. The handing of our elevator department made necessary the engaging of extra help, and in addition several increases in salary were given. You will note that in the organization expenses \$9,737.61 has been charged against this year. This is one-third of the total expenses incurred, the balance on the approval of our auditors, being carried forward to succeeding years. This I believe is the principle usually followed by companies in process of organization such as ours now is. A new system of accounting and recording the business of the Company was introduced during the year, and we confidently expect that the ratio of expense will be cut down very considerably during the coming year.

Turning to the balance sheet you will note that the value of our Lombard Street property has been written up \$50,000 by your directors, and this amount placed to reserve. This was, I think, a sound step, and was willingly approved by our auditors. We have a splendid asset in our Lombard Street property, and it is doubtless worth much more today than the amount it stands valued at in our statement. It is the part of wisdom, however, to write any asset up in value very cautiously, and I think you will agree we are well within the mark in this respect.

EXTENSION TO OTHER FIELDS

The Directors of the Company feel that a great deal can be done in co-operative effort in cheapening the cost of articles that are indispensable to farm life and work. Take, for instance, a stove, a common article necessary on every farm. The raw iron ore is taken from the earth by an Iron and Steel Trust, and sold to the manufacturer with the necessary profit to the Iron and Steel Company. The manufacturer makes the stove, adds his profit, and sells to the wholesaler. The wholesaler adds his profit and sells to the retailer or the country merchant. The retailer adds his profit and sells to the farmer on the plains, who finally uses it. The iron company, the manufacturer, the wholesaler and the retailer have each had their profit, not on the original cost alone, but upon the increased cost as it passed from hand to hand. When you add to this the further increase from large profits due to agreements among supposed competitors as to prices, it is not difficult to see that the price to the person who wants the stove and must have it, is easily double what it should be. This principle or practice in trade, applied as it is, not only to stoves, but to practically everything we use, accounts in a very large degree for the very high cost of living. What is the remedy in this direction? Equal opportunities to use the resources of nature, from which the Creator designed all our wants to be supplied, and co-operation to reduce the cost of production and distribution to the lowest point. This principle we have applied in the handling of our grain, with what results you best know. We must also eventually apply it to stoves, implements, clothing, everything we use, in short, starting with the staple articles that are absolute necessities. To this end your Directors in the past year have engaged a competent man at considerable expense to look over timber limits in British Columbia, with a view of getting one before the timber is all secured by speculators, and later as soon as our finances will warrant, putting in our own saw mills, manufacturing all our own lumber of all kinds, and shipping it directly to our own farmers who may want it, thus cutting out completely the heavy tolls now imposed by the middlemen. Think out what this

means. Our new Charter permits us to deal in every way with everything of any kind that a farmer needs or uses.

FUTURE FINANCING

The most serious problem facing the Company is that of getting the necessary money to carry on the expanding business of the Company. With a crop 20 per cent. lighter than the year previous, we have increased our business last year almost 15 per cent. over the previous year. Through the opening up of new areas in Western Canada the production of grain is increasing very rapidly. With the increase in production and the increase in membership of the Company, it is not too much to expect that in three or four years we will handle annually fifty or sixty million bushels of grain. This will require at least five or six million dollars to care for it. To establish the credit necessary to handle it we must, with all possible speed, increase our capital. While the grain itself is the best kind of security, we must in addition have financial standing within ourselves. This can only come with an increase in capital and the building up of a reserve fund. Our stock should be attractive. In addition to building up the co-operative spirit, and the indirect benefit of compelling others to pay the fullest value possible, the Company need not, I am sure, ever drop below paying eight or ten per cent. dividend, which is an excellent rate of interest. Many farmers put their money in all sorts of wild cat schemes inaugurated by selfish promoters, and get nothing for it. If they concentrate their strength in their own Company they aid in building up something really useful to society, and at the same time invest their money in something that pays them well. Each shareholder can help, by taking the full limit of stock himself when he can, and by urging his neighbors to do the same. The personal word with men, as you well know, counts for the most.

THE FUTURE

I wish before sitting down, to dwell for a moment with the future prospects of the Company. We have the experience of the past to guide us as far as it applies to the

future. Nevertheless, we will in the days to come, be breaking new ground, in some directions at least. The co-operative idea, as applied to the handling of commodities we produce or use, is yet in its infancy in this country. Signs are not lacking that the idea is taking firm hold. The feeling of hopelessness of success that a few years ago characterized our farmers as far as working together for their own benefit was concerned, is rapidly disappearing. The man who a few years ago said, "It's no use to try," is filled with a new and confident hope. The knowledge that as farmers we can enormously cut down the cost of handling our stuff, either what we use or sell, is growing. Attempts in this direction, if carried on upon sound business lines, are bound to succeed. In forwarding such development the most urgent need of the Company today is more capital. I earnestly wish that our shareholders will grasp the full need of this. They are in the position to give the greatest aid in building up financial strength, not necessarily by taking additional stock themselves where possible, but in telling their neighbors just what the Company has done. Had we capital today we could enter upon other activities with perfect safety that would be of even more benefit to us as farmers than what we have already accomplished. Efforts stronger than ever before are being directed, and will, in future, be directed toward creating suspicion and mistrust among us. There is an old proverb which says, "United we stand; divided we fall." Let us keep it in mind not only in respect to the particular business of this Company, but in respect to the work of all our farmers' organizations wherever there are such. Read and study the Company reports and business. Don't forget that it is your concern, and not the concern alone of a few men at the head of it, as many of our enemies try to make our people believe

There is only one other thought that I wish to leave with you, and that is that there is a phase or part of the Company's work above and beyond the purely commercial side of it. It often appeals to me that perhaps the greatest good we are doing is the educational side of our work. I believe that clearly and unmistakably the spirit of a true democracy is growing today in this Canada of ours, as it is undoubtedly growing in every civilized country in the

world. The true conception of the Brotherhood of Man is better understood by more people now than ever before. The wise truth stated ages ago, that "No man liveth to himself" is coming to be realized with its full true meaning, and in spite of ourselves the conviction is coming home to us with an irresistible force that our own happiness in the world is bound up with the happiness of those around us. That this Company has exerted a powerful influence in this direction, largely an unconscious one, but nevertheless effective, cannot be doubted. I am sure it is the earnest wish of each shareholder here today that its influence in the future, unconscious or otherwise, may always be directed to aid in developing the true democratic spirit that seeks to give in life "equal opportunities to all, and special privileges to none."



Winnipeg, July 12th, 1911.

BALANCE SHEET

ASSETS

Advances on Bills of Lading and other debts due to the Company	\$491,197 73
Investments (Bank Stock and other Securities at cost) . . .	164,566 66
Grain Exchange Seats and Traders' Building Stock	11,775 00
Office Furniture and Fixtures After Writing Off 10 per cent. Depreciation	7,693 23
Organization Costs (Stock Selling Costs Applicable to Next Year)	19,332 94
Real Estate	183,847 32
Amount paid on Lombard St Property and increase thereon in terms of independent valuation	\$140,689 12
Portage la Prairie Farm Properties	43,158 20
	<u>\$183,847.32</u>

STOCKS OF GRAIN—

On Hand and on Consignment , \$723,980 14

Less Received on account of

Proceeds 709,764 19

\$ 14,215 95

\$892,628 83 \$892,628 83

AS AT 30th JUNE, 1911

LIABILITIES

Accounts Payable		\$ 24,383 34
Bank Overdraft		226,814 58
Capital Stock—		
Subscribed Capital 24,602 shares		
of \$25 each	\$615,050 00	
Less Calls not due and Calls		
unpaid	122,987.65	
		<u>492,062.35</u>
Reserve		50,000 00
(Increase in value of Lombard		
Real Estate transferred to		
Reserve)		
Profit and Loss Account—		
Balance at Credit thereof at		
30th June, 1910	\$101,154.43	
Less Disposed of in payment of		
Dividend for year ended that		
date, and sundry amounts		
properly chargeable thereto . .	71,361 33	
		<u>\$ 29,793 10</u>
Add Profit for year ending 30th		
June, 1911, in terms of separate		
statement	69,575.46	
		<u>\$ 99,368 56</u>
		<u>\$892,628.83</u> <u>\$892,628 83</u>

We beg to report to the Shareholders that we have examined the above Balance Sheet and relative Profit and Loss Account with the Books and Vouchers of the Company, and in our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, as shown by the Books of the Company. We have also verified the securities held as Investments.

JOHN SCOTT, C.A., }
W. H. BEWELL, } Auditors

Winnipeg July 12th, 1911

Remarks by Shareholders' Auditor

Supplementing the Financial Statement I respectfully submit the following explanatory notes, a careful perusal of which together with the Financial Statement and the President's Address, all of which are embodied in this Annual Report, will enable any shareholder to become conversant with the results of the operations of the Company for the year ending June 30th, 1911.

VOLUME OF BUSINESS. --During the year the Company received 15,354,680 bushels of wheat; 2,729,350 bushels of oats; 445,300 bushels of barley, and 315,975 bushels of flax, making in all 18,845,305 bushels of farmers' grain handled, an increase of 2,512,660 bushels, or more than 15 per cent. over the preceding year, this increase alone being somewhat larger than the total business done by the Company during the first year of its operations. That the volume of farmers' grain handled by our Company during the year not only shows a substantial gain over that of the previous year, notwithstanding the smaller total inspections for the year, but also represents nearly 18 per cent., or over one-sixth of all the grain inspected during the year, will doubtless be considered satisfactory to those interested. In some degree it also indicates what may result when a considerable number of farmers—shareholders and non-shareholders alike—support a Company which exists only for the improvement of conditions surrounding the farmer, the success of whom must necessarily result in improved conditions for all industries and people dependent upon the success of the farmer.

CAPITAL STOCK.—From June 30th, 1910, to June 30th, 1911, the subscribed Capital Stock of the Company rose from \$353,275.00 to \$615,050.00; the paid-up Capital Stock increased from \$292,957.55 to \$492,062.35. 10,471 shares of stock were allotted, making a total of 24, 602 shares allotted on the latter date, and the number

of shareholders increased from 7,504 to 11,760. These figures show that in this Department the results of the year have been the most successful of any year in the history of the Company, each year of which has been noted for increasing success.

GRAIN ACCOUNT.—This account amounting to \$206,179.99, representing the revenue derived from the Grain Business, including commissions on farmers' grain handled, such other profits as have been earned during the year, and that portion of Bank Interest on advances which is returned to the Company through farmers' settlements, which, together with the dividends received from investments, rents from property owned, and brokerage from sale of Home Bank Stock, comprise the gross earnings of the Company.

EXPENDITURE.—An increase of over 15 per cent. in the volume of business, would naturally imply some increase in expenditure. An examination of the various items show that while some of the increase in expenditure has arisen in this way, yet the greater part of this increase has been incurred through the cost of sustaining and operating the Export Trade, during a year which seems to have been somewhat unfavorable for profitable results to the exporter. In passing, it may not be amiss to point out that while that feature of the business has not resulted in immediate profits to the Company, yet it is felt that the fact that the Company was conducting an Export Business, had a good effect in steadying and sustaining the market, so that all Western farmers received a higher price for their grain than they otherwise would have received. Hence, a direct advantage to every farmer in the West.

SALARIES.—The increase in the item of salaries arises partly through the larger staff necessary to handle the increased business, partly through increases of remuneration to those who had shown efficiency in the service of the Company, but chiefly to the installation of the Export and Elevator Departments of the Company's business.

BANK INTEREST.—The increase in this item has arisen from the fact that while to conduct an export trade in any case requires large sums of money for lengthy periods, owing to the time elapsing after shipments are made before returns are received, the conditions of the past year have been very exacting in this respect, with a corresponding increase in this item.

BANK POSTAGE AND INSURANCE.—This item I find, represents the cost of sending remittances to farmers in cash, where cheques might have incurred some inconvenience or expense to the receiver. Clearly this is an accommodation to the farmer, the cost of which should not be borne by the Company. I have no doubt that when attention is drawn to this item, every farmer will gladly pay for the accommodation he receives in this way, an amount though trifling in any case, amounts to a very large sum in the Company's business for the year. I feel it my duty to recommend that in cases where this accommodation is desired, the small cost incurred be made a charge against the individual shipment.

GENERAL EXPENSES.—The term "General Expenses" includes Business Tax, Grain Exchange Fees and Dues, Costs of Bonds of Officers of the Company, Costs of Bonds as Commission Merchants and Track Buyers, Fire Insurance Premiums, Translation of Correspondence in Foreign Languages, Printing President's Address and Auditors' Report for 1910, Installing New System of Bookkeeping, Caretaking, Expense of Calgary Office, Direct Legislation Literature, Trips of Manager and President to Eastern points arranging shipping and export connections, Printing and Mailing Daily Price Lists, Printing and Mailing Notices and Proxy Forms for Annual Meeting, Subscriptions to Commercial Journals for Office use, Lighting, Fixtures and other minor items of expenditure.

ADVERTISING.—This includes the amount expended in advertising the business of the Company in various newspapers and magazines.

OFFICE SUPPLIES.—Covers the numerous and specially prepared Cash Books, Car Books, Stock Books, Ledgers, Loose Leaf Books, Forms, Stationery, Circulars, etc., necessary for Office service.

POSTAGE, TELEGRAPHING AND TELEPHONING, RENT AND LIGHT.—Under these headings is shown the outlay for these several services during the year.

OUTSIDE AGENTS.—The amount under this heading covers the remuneration paid chiefly for services of the Company's agent at the Lake Front, whose duty it was to attend to the interests of country shippers when necessary, and to watch the loading out of grain shipped from the terminals, and, in a few cases, for special service where the interests of the Company called for prompt attention.

AUDITORS' FEES.—This item includes the cost of the exhaustive audit of the various books, accounts, invoices, advances, settlements, files, vouchers, stocks, investments, securities, financial transactions, purchases, sales, exports, etc., etc., entering into the business of the year, also the several quarterly inspections, preparations of reports, etc.

DIRECTORS' FEES AND EXPENSES.—The constantly growing business and the many important and varied interests pressing for consideration, require an increasing amount of the time and attention of your Directors, and hence a larger outlay for this service.

DEPRECIATION, OFFICE FURNITURE.— This represents the usual 10 per cent. allowance for depreciation in office furniture.

ORGANIZATION.—In accordance with the request of the shareholders at the Annual Meeting last year, the Directors carried on a vigorous campaign of Organization and Education during the year. As much of the benefits of this work can only be realized in future years and hence becomes a real, while unappraisable, asset of the

Company, it was considered proper that future years should bear a share of the outlay incurred, and accordingly, it was decided to charge one-third of the amount to the business of the past year, and one-third to each of the next two years.

SAMPLING.—This department opened during the preceding year at the suggestion of the Grain Growers' Associations, has been continued throughout the past year. While the official grading can be made only by those duly authorized in the Office of the Chief Grain Inspector, yet the fact that our Company has men in the railway yards securing samples from the cars consigned to the Company when samples are being taken by the Inspector's men, and a competent man in this office to check the Inspector's grading with the samples thus secured, seems to have a good effect and to meet with much favor from our shippers.

DONATIONS.—Various sums were given during the year to the Associated Charities, Hospitals, and to various charitable and other institutions considered worthy of support.

CHEMICAL TEST OF WHEAT.—This work was undertaken with the object of ascertaining the relative milling and baking qualities of the different grades of wheat, and the variation among different samples of the same grade. It is thought by many that the valuation of wheat, purely on its physical appearance, is not always an accurate measure of its value.

LEGAL EXPENSES.—This item represents the amount paid for legal services during the year.

MILLING INVESTIGATION.—This item covers the outlay incurred in investigating a milling proposition during the year.

PROFITS.—The net profits of the year's business amounted, as shown, to \$69,575.46. The shareholders at the Annual Meeting, by resolutions, recommended the Directors to declare a dividend of ten per cent. upon

the paid up Capital Stock of the Company, and of the remaining undivided profits of this and previous years, to add the greater part (\$40,000) to the Reserve Fund now shown in the Liabilities, the balance to be carried forward in Profit and Loss Account. Thus adjusted, these accounts will be as follows: Dividends payable, \$49,206.23; Reserve, \$90,000.00; carried forward in Profit and Loss Account, \$10,162.33.

In view of the Reserve Fund thus established, the shareholders at the Annual Meeting recommended that the price of shares of the Company's Stock be made \$30.00 per share.

ASSETS.—The Assets of the Company consist of the several items shown in the Statement, by far the largest item being advances on bills of lading, which in due time will be eliminated through farmers' settlements. The other debts due the Company comprise advances to Farmers' Elevators for the purchase of street grain fully secured, trade accounts, accrued interests and rents, promissory notes, bills receivable and minor book debts. The other large items appearing in the Assets being Investments, as stated, Real Estate—the amounts given being based upon actual payment and independent valuation, Grain Exchange Seats and Traders' Building Stocks, Office Furniture and Fixtures, balances due from grain on hand and on consignment, June 30th, 1911, and organization costs, which though paid, are not chargeable to the business of the year, and hence appear here. One-half of the amount, as stated, becomes a liability and chargeable in the next Annual Statement, and the balance in that of the following year.

LIABILITIES.—The nominal liabilities of the Company form a large amount, yet the actual liability to others than our own members is very small. The amount of Bank Overdraft, forming a part of the advances on bills of lading, will be wiped out through farmers' settlements; in the meantime the grain itself is security for the loan. Capital Stock and accumulated profits are held for use, or for distribution, as directed by the shareholders, or their representatives, the Board of Directors. That

part of the increase in value of the Lombard St. property, placed in reserve, is of course, a liability only to the shareholders, hence practically the Company's only liabilities to others than our members, are to be found in the Accounts Payable, and the amount therein stated is made up almost wholly of trade accounts.

CLAIMS DEPARTMENT.—The excellent work done by this department through the assistance given in securing for farmers reasonable compensation from railways for shortages, wrecked cars, etc., in claims properly supported by evidence, seems to justify the existence and continuance of that department.

ELEVATOR DEPARTMENT.—During the year, in order to accommodate farmers at points where government elevators had been established, our Company, as far as practicable, secured and placed its own buyers. At these points competition became very keen, at many of them opposition companies, by paying more than the current market prices, through storage privileges they were in position to offer by having their own elevators, and in other ways (inducements that were immediately withdrawn at any point from which our Company retired), made it impossible for our company to compete profitably. Of course, the farmers in these localities received the benefit of the enhanced prices. The Company incurred considerable loss in its efforts to accommodate farmers, and to make the best practical use of the Government Elevators at such points. The experience gained in this respect, however, will doubtless prove of good service.

In assigning the office work, the handling of feed and seed grain was placed in charge of the Elevator Department. The feed and seed business was handled at a fair profit.

Respectfully submitted,

W. H. BEWELL,

Shareholders' Auditor.

Rosser, July 28th, 1911.

Public Press Limited
275-277 Sherbrooke Street
Winnipeg



